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PROJECT FOR EVALUATING COVERAGE OF TRADE CONTROLS AND
REVISING BASIS FOR SELECTION, USING MOBILIZATION APPROACH

Pursuant to instructions in the Steering Group Report to the CFEP, work has been going forward in the Defense Department on the "mobilization base" approach to trade controls. The first object of the studies is to identify those sectors or industrial complexes of the Sino-Soviet Bloc economy in which there is a gap between the current availability of economic resources and the estimated requirement for full mobilization. Full mobilization is taken to mean mobilization of the economy to support an extended global military effort in which the entire military strength of the Sino-Soviet Bloc is pitted against the total military resources of the Free World. Sectors or industrial complexes in which a gap exists between current capacity and capacity needed for full mobilization should be selected for control, inasmuch as the current prospect is that overall expansion of the Sino-Soviet Bloc economy will continue to be directed toward maximizing the industrial base for military production and the greatest effort will continue to be to close these gaps.

The second step in the analysis is to study the resource requirements and availabilities in those sectors or industrial complexes in which gaps are evident. The purpose of this step is (a) to evaluate the coverage of the present control system in the "gap" sectors or complexes, and (b) to identify the resources, i.e., the categories of materials, equipment and technology required to expand the economic sector or industrial complex. After such identification, a selection of categories for control may then be made on several bases. One possibility is to concentrate on categories representing the highest gross investment per increment of output; another is to select categories of high cost in the Sino-Soviet Bloc relative to cost in the Free World. However the selection is made, the area of control would have to cover a significant portion of investment required for expansion to have an impact, that is, to impose a resource and time cost on the target sector or complex. It might be appropriate to select relatively, that is, to exclude from control only those categories of the sector or complex which are demonstrably "abundant and cheap", and which would represent a small portion of the gross investment per increment of increased output in the Sino-Soviet Bloc.

Problems of Methodology

Establishing full mobilization requirements for a postulated global war of extended duration is the most troublesome problem encountered. So far as is known, intelligence on estimated mobilization requirements for the Sino-Soviet Bloc are not available. It is, therefore, necessary to estimate these requirements by analogy with U.S. or NATO data, making allowance for known and estimated differences in use of tactical weapons, industrial practices, civilian needs, etc. This method was employed by

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the DOD Rolling Mills Team. The first step was to study iron and steel needed for weapons, ammunition, and other military equipment of the United States under full mobilization. Sino-Soviet Bloc requirements were assumed to be similar. Iron and steel for defense support equipment was then calculated and Soviet needs taken as a smaller amount. A small fraction of the essential civilian needs in the United States mobilization estimate was then added to give a total tonnage requirement for iron and steel rolled products, which was then compared with the intelligence estimate of current Soviet iron and steel rolling mill capacity. Similar comparisons were made for copper and aluminum rolling mill capacity. A significant gap was found for all three metals.

Identification and estimation of the resource requirements for expansion to close the "gaps" is less difficult. After the magnitude of a "gap" is postulated, investment data for the necessary production materials and equipment taken from any source cannot vary significantly since investment patterns in any industrial economy are similar for most industries. Relative cost data, that is, data showing cost differentials of significant magnitude between the Sino-Soviet Bloc and the Free World are being prepared by intelligence agencies, and may be usable for the purposes outlined above.

Work Progress

To date mobilization "gap" estimates have been made for steel, aluminum and copper rolled products capacity. These were used in discussions with the United Kingdom Government last spring.

Studies of the iron and steel, aluminum, and electric power complexes have been completed. Work is in progress on the electronics-communications and chemical industries. These data are based on United States industrial models, and list the component materials and equipment needed for a complete facility. They also show the quantity and investment cost of the components. These studies have not in all cases been related to the "gap" data as yet, but the coverage of the current trade control Lists I, II and III are indicated.

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